

ANNUAL REPORT 2001



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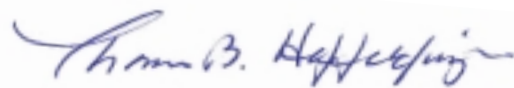
The events of September 11, 2001, have changed the priorities of the office and have generated new expectations, new commitments, and new challenges. To do all that is required of the office, we need to change how we deliver law enforcement, which means a level of cooperation between local, state, and federal law enforcement greater than we have ever seen before. Working together, I am confident that we will achieve our goals.

MESSAGE FROM THE UNITED STATES ATTORNEY

2001 was a year of change for the country, for the Department of Justice and for the Office of the United States Attorney for the District of Minnesota. In a time of transition, it is only appropriate to take note of the accomplishments of the United States Attorney's Office during the past year in this third Annual Report. Those successes will provide the foundation for the challenges ahead.

The tragic events of September 11, 2001, have had a significant and lasting impact upon the country and the office. Responding to those terrorist acts and the prevention of future similar acts are now clearly the office's top priorities. Nevertheless, we continue to provide the full range of criminal and civil legal services which the people of Minnesota have come to expect from the office. Throughout 2001, we focused on the partnerships with our federal, state, local and tribal law enforcement colleagues to address violent crime, drugs, illegal firearms and white collar crime. As we address these priorities plus the new terrorism priority during 2002, these partnerships will assume even greater importance. Fortunately, the lawyers and staff of the office and our federal, state, local and tribal partners represent a team fully capable of meeting both our traditional and our new priorities.

In September, 2001, I had the honor of being sworn in as the 39th Presidentially-appointed United States Attorney for the District of Minnesota. I especially appreciate the opportunity to serve the people of the United States for a second time in this position. I am privileged to be given the opportunity to serve with a highly dedicated and competent group of Assistant United States Attorneys and support staff who share the view that serving the people of this country is an honor, not a job. I must commend my predecessors, United States Attorneys B. Todd Jones and Robert M. Small, for their commitment and leadership which is reflected in the quality of the current office. As the people of Minnesota face the challenges of life in the United States since September 11, they can be confident that the lawyers and staff of the office will continue to represent them with skill, integrity and dedication.



Thomas B. Heffelfinger
United States Attorney

INTRODUCTION

The United States Department of Justice has been described as the largest law office in the world. The Attorney General is the chief legal officer for the United States. The Department of Justice is the Attorney General's staff.

One of the primary responsibilities of the Department of Justice is to represent the United States in court. All prosecution of violations of federal criminal law is done under the auspices of the Department of Justice. With respect to civil legal matters, attorneys in the general counsel offices of other federal departments and agencies perform many of the day-to-day legal duties for the United States Government, such as negotiating contracts, settling complaints, and providing legal advice to other government officials. However, when a department or agency is involved in or is contemplating litigation in court the matter is generally referred to the Department of Justice.

There are 93 United States Attorneys serving 94 judicial districts throughout the country. These offices conduct most of the criminal prosecutions and civil litigation handled by the Department of Justice. The offices serve as the critical prosecutorial arm of the Department of Justice, responsible for ensuring that the investigative efforts of the law enforcement agencies are pursued. They also serve as the nation's legal advocates and defenders in civil suits brought by and against the federal government.

The United States Attorney is the representative not of an ordinary party to a controversy, but of a sovereignty whose obligation to govern impartially is as compelling as its obligation to govern at all; and whose interest, therefore, in a criminal prosecution is not that it shall win a case, but that justice be done. As such, he is in a peculiar and very definite sense the servant of the law, the twofold aim of which is that guilt shall not escape or innocence suffer. He may prosecute with earnestness and vigor — indeed he should do so. But, while he may strike hard blows, he is not at liberty to strike foul ones. It is as much his duty to refrain from improper methods calculated to produce a wrongful conviction as it is to use every legitimate means to bring about a just one.

**Mr. Justice Sutherland in
Berger v. United States,
295 U.S. 88 (1935)**

The District of Minnesota was established by Act of Congress as a judicial district on March 17, 1849. Two days later, Henry L. Moss was appointed the first United States Attorney for the District. From the appointment of Moss to the present, the United States Attorneys who have served this District have been a source of pride because of their hard work in upholding the laws of the nation.

DISTRICT OF MINNESOTA

One of the earliest United States Attorneys for the District was also one of the most well known. Cushman K. Davis was a member of the Minnesota Legislature when he was commissioned as United States Attorney. In 1873, Davis won election as Governor of Minnesota. Later, he was elected to the United States Senate where he served until his death in 1900. Davis authored the resolution that resulted in the annexation of Hawaii by the United States and, after the Spanish-American War, he became one of the commissioners responsible for the drafting of the treaty.

Many former United States Attorneys for the District of Minnesota have gone on to become United States District Court Judges, including Milton D. Purdy, George F. Sullivan, Philip Neville, Miles W. Lord, Robert G. Renner, and James M. Rosenbaum. George E. McKinnon, appointed in 1953, became a Judge of the United States Court of Appeals for the D.C. Circuit. Others became judges on the state level, including Fallon Kelley, who was appointed to the Minnesota Supreme Court, and Andrew W. Danielson and Thorwald

Anderson, both Minnesota State District Court Judges. Former United States Attorney Hartley Nordin became a bankruptcy judge, and J. Earl Cudd was appointed as a United States Magistrate Judge in 1973.

Other Assistant U.S. Attorneys who subsequently became federal judicial officers include United States District Court Judge Ann D. Montgomery, United States Chief Magistrate Judge Franklin L. Noel, and former United States Magistrate Judges Janice Symchych and Floyd E. Boline.



Attorney Staff, District of Minnesota

A number of Assistant U.S. Attorneys have also distinguished themselves as current members of the Minnesota state judiciary. These "alumni" include Minnesota Supreme Court Justice Joan Erickson Lancaster, Hennepin County District Court Judges Denise D. Reilly and Jeanne J. Graham, Washington County District Court Judge Mary E. Carlson, Anoka County District Court Judge James A. Morrow, and Ramsey County District Court Judge Mimi Wright.

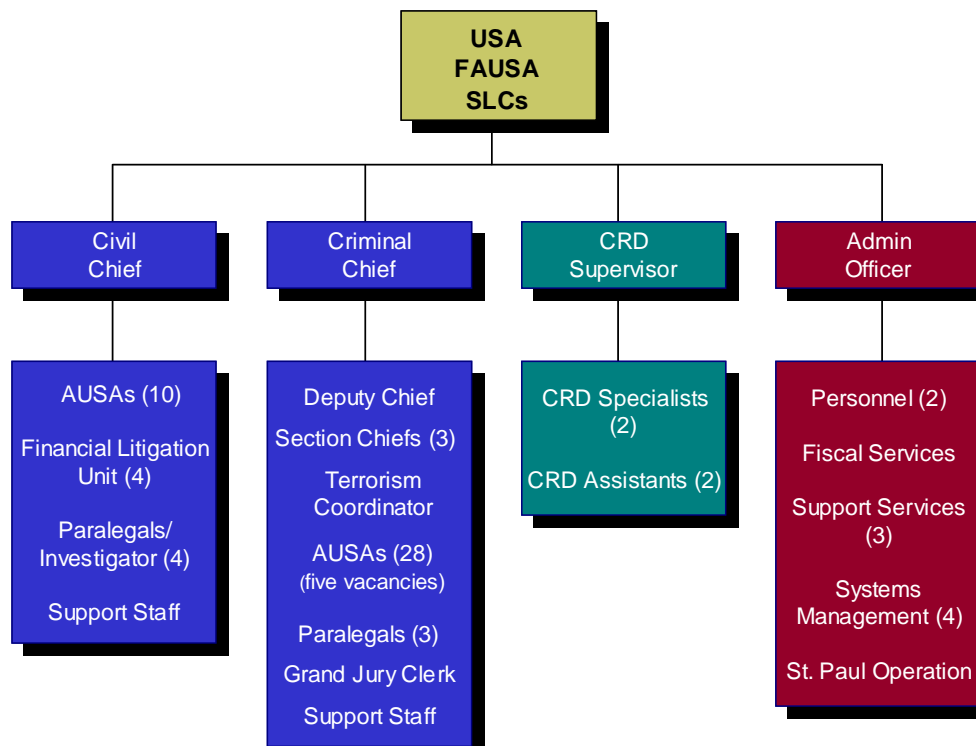
The permanent staff of the United States Attorney's Office for the District of Minnesota currently consists of the United States Attorney, the First Assistant United States Attorney, Criminal Chief, Civil Chief, forty (41) Assistant United States Attorneys, an Administrative Officer, and fifty-one (53) clerical employees and other support specialists.

The headquarters for the United States Attorney's Office is located in the Federal Courthouse in downtown Minneapolis. A branch office is located in St. Paul and is staffed by an office manager.



**Thomas B. Heffelfinger,
United States Attorney
District of Minnesota**

Thomas B. Heffelfinger is the 39th Presidentially appointed United States Attorney for the District of Minnesota. He is the only person in recent history to have served twice as United States Attorney under two different Presidents.



The Criminal Division of the United States Attorney's Office for the District of Minnesota is the largest of the four divisions of the office and is supervised by Criminal Chief Paul A. Murphy and Deputy Criminal Chief James E. Lackner.



CRIMINAL DIVISION

STRUCTURE

During FY 2001 there were 35 line AUSA positions assigned to the Criminal Division which is divided into three sections. The three sections focus their efforts on particular areas of federal criminal law and each is supervised by a Section Chief. The three sections and their current supervisors include: Major Crimes, supervised by AUSA Margaret B. Magill; Economic Crimes, supervised by AUSA Frank Magill; and Narcotics/OCDETF, supervised by AUSA Andrew Dunne.

MISSION

The mission of the Criminal Division is to prosecute criminal offenses against the United States by providing professional legal representation exercising the highest ethical standards in the pursuit of justice. The Criminal Division is committed to serving the public good and assisting communities within the District with efforts that enhance the public safety.

AREA OF RESPONSIBILITY

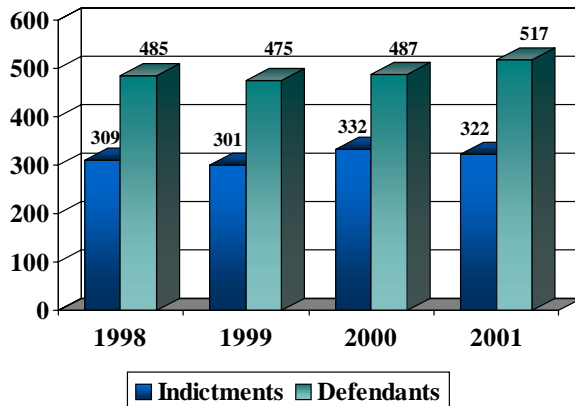
The geographic area of the District of Minnesota within which the Criminal Division

is responsible for the enforcement of federal criminal laws is large and diverse. The boundaries of the District are co-extensive with the boundaries of the State of Minnesota. There are 87 counties which comprise an area of 84,397 square miles of which 79,617 square miles is land and 4,780 square miles is water. There are approximately 4.9 million people who live in the District of which 2.1 million live in the Minneapolis-St. Paul metropolitan area. In addition, there are eleven Indian Reservations in which over 30,000 Native Americans reside. On the Red Lake Reservation and the Bois Forte (Nett Lake) Reservation, the United States has exclusive criminal jurisdiction. There are four federal prison facilities within the District, including a medical facility in Rochester within which the United States has criminal jurisdiction over offenses committed.

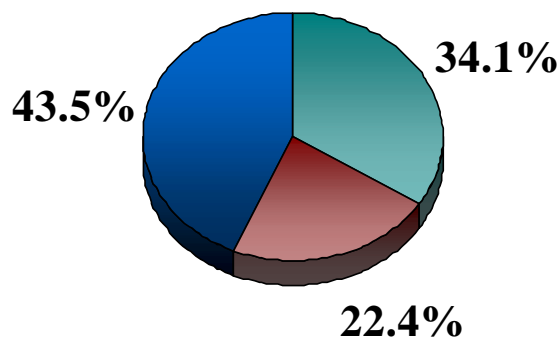
CLIENT FEDERAL AGENCIES

The AUSAs in the Criminal Division work closely with all federal investigative agencies. These include: the Federal Bureau of Investigation, U.S. Postal Inspection Service, Drug

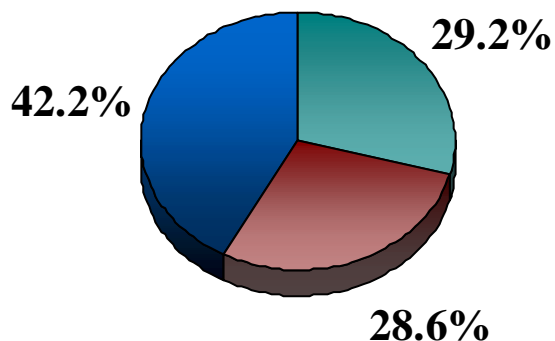
Indictments and Informations



FY 2001



FY 2000



**Paul A. Murphy,
Criminal Division
Chief**

During FY01 there were 322 indictments and informations returned against 517 defendants. (A final analysis is not released by the Administrative Office of the U.S. Courts until Spring, 2002). This represents a decline in the number of cases filed and an increase of defendants charged over FY00, when 332 criminal cases were filed against 487 defendants. This maintains the relatively steady number of cases and defendants that is reflected by prior years.

The District of Minnesota has an average conviction rate of about 93 percent for the period FY98 through FY01. The national rate during that period was about 88 percent.

-  **Narcotics**
-  **Economic Crimes**
-  **Major Crimes**

Enforcement Administration, Bureau of Alcohol, Tobacco, and Firearms, Internal Revenue Service-Criminal Investigation Division, Immigration and Naturalization Service, Border Patrol, Customs, Secret Service, Health and Human Services, Department of Agriculture, Housing and Urban Development, Fish and Wildlife, and the Environmental Protection Agency.

STATE LAW ENFORCEMENT

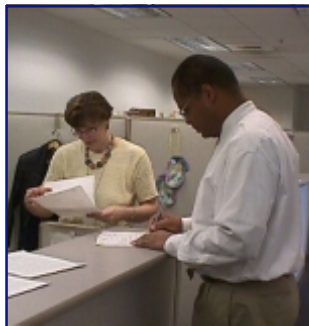
In conjunction with the various federal law enforcement agencies, the Criminal Division works with Minnesota County Sheriffs, of which there are 86, and with the municipal police departments, of which there are 396 throughout Minnesota. The Criminal Division also works with the Minnesota Bureau of Criminal Apprehension and the Minnesota State Gang Strike Force. The Criminal Division works with the FBI and the Tribal Police Departments on Red Lake and Bois Forte (Nett Lake) Reservations. The Criminal Division works with the DEA and the 25 Drug Task Forces which are funded by the U.S. Department of Justice Byrne Grant money.

PROSECUTION PRIORITIES

The Attorney General of the United States establishes the national prosecution priorities for the Department of Justice. The United States Attorney for the District of Minnesota establishes specific prosecution priorities for the District. The cases that represent prosecution of these priorities are summarized later in this report as part of the review of each of the Criminal Division Sections.

Terrorism will be the prime priority of the U.S. Attorney's Office in FY02 as a result of the events of September 11, 2001.

FY01 Priorities for the Economic Crime Section included security and



investment fraud, health care fraud, financial institution fraud, computer fraud and computer crimes, bankruptcy fraud, attorney fraud and embezzlement, and real estate flipping.

FY01 Priorities for the Narcotics Section included the prosecution of organized crime cases involving the interstate importation of methamphetamine and the distribution of cocaine and crack cocaine by violent criminal street gangs. The transfer of substantial financial proceeds of these drug operations out of the state by means of money laundering operations was also targeted. Additionally, the emergence of "club or designer drugs" such as MDMA ("ecstasy") and GHB/GBL represented a new threat that was also addressed.

FY01 Priorities for the Major Crimes Section included the prosecution of illegal firearms cases in cooperation with several Minnesota county attorneys as part of Project Safety On (PSO). This initiative will continue in FY02 as Project Safe Neighborhoods and will be expanded to encompass greater-Minnesota counties. This initiative ensures that every case of a felon in possession of a firearm is reviewed by a prosecutor and a decision is made as to appropriate state or federal prosecution.

Federal prosecution of cases involving aggravated felons, particularly those with a past criminal history of violence or drugs has been a priority. It was also a priority to prosecute illegal aliens for unlawful re-entry into the United States when they have significant prior criminal histories. Cases of bank robbery, child pornography, and domestic violence under the Violence Against Women Act were priorities as well.





In addition, the Criminal Division made a significant commitment to the prosecution of offenses in Indian Country, especially those offenses that were violent in nature, involved firearms, or involved offenses that victimized women and children. During FY02 the Section will continue to focus on violent crime, especially crimes in Indian Country and crimes involving firearms.

DISTRICT COURT PROSECUTIONS

Charges for violating the federal criminal law are brought against defendants in the United States District Court for the District of Minnesota. This is done either by Indictments returned by grand juries or by Informations filed by the United States Attorney. The high quality of the work of the AUSAs in the Criminal Division is reflected in the summary of cases for each section later in this annual report. Although AUSAs assigned to each section focus the majority of their case work in the area of federal criminal law particular to their section, cases of all types are assigned across section lines.

For example, some drug cases may be prosecuted by AUSAs in the Major Crimes or Economic Crimes Section, and some economic crimes cases may be prosecuted by AUSAs in the Narcotics Section. The information that

follows reflects types of hard work performed by all of the AUSAs and the entire Criminal Division as a whole and is a result of coordinated team efforts.

APPEALS TO THE EIGHTH CIRCUIT COURT OF APPEALS

A defendant convicted in District Court by trial or by plea of guilty may appeal the trial conviction and/or the sentence to the Eighth Circuit Court of Appeals. These appeals, as well as any post-conviction appeals are handled by the AUSAs in the Criminal Division in addition to their work in the District Court. During the period FY97 to FY01 the Criminal Division has opened an average of 62 criminal appeals per year and closed an average of 78 criminal appeals.

During the period of FY98 to FY01, the Eighth Circuit statistics show that 17 percent of all criminal appeals in the Circuit originate from the District of Minnesota.

POST-CONVICTION LITIGATION IN DISTRICT COURT



A defendant may make a collateral challenge to the conviction or sentence that is imposed in a criminal case by way of a post-conviction civil action under 28 United States Code Sections 2255 or 2241. During the period FY97 to FY01, the Criminal Division opened an average of 100 such cases per year.

APPEALS OF POST-CONVICTION CASES IN THE EIGHTH CIRCUIT

A defendant whose petition for post-conviction relief is denied in the District Court may appeal that denial to the Court of Appeals for the Eighth Circuit. These cases are also handled by the AUSAs in the Criminal Division. From FY97 to FY01, the Criminal Division opened an average of 41 such appeals and closed an average of 37 such appeals each year.

The Major Crimes Section concentrates on a wide range of federal criminal offenses including bank robberies, firearms offenses, counterfeiting, environmental crimes, immigration violations and federal crimes that occur on the Red Lake and Bois Forte Indian Reservations, including murder, sexual assault and child abuse.

MAJOR CRIMES

FY 2001 Case Highlights

INTERSTATE DOMESTIC VIOLENCE

James Sarff was sentenced to 15 years in prison for kidnaping and interstate domestic violence for abducting and forcing his estranged wife to travel to Mexico against her will and assaulting her.

Sarff forcibly took his wife from her Long Prairie apartment during the early morning hours of February 19, 2000. He forced his victim to spend the next two weeks traveling throughout northern Mexico. On March 4, 2000, a U.S. Customs Inspector at the U.S. Port of Entry, in Douglas, Arizona, stopped Sarff and his wife for questioning on of suspicious behavior as they tried to enter the United States through the pedestrian lane. Sarff was arrested after the Customs Inspector identified him based on a warrant.



POSTMASTER PLEADS GUILTY TO EMBEZZLEMENT

Kevin White, the former Postmaster for the Rochester, MN, Post Office pleaded guilty to embezzling more than \$12,000 in postal funds.

Between May 22, 2000, and December 2000, White embezzled in excess of \$12,000 in postal money orders and cash that was issued at White's request for fictitious and unsupported expenses. White attempted to conceal the

embezzlement by making false entries on requisition forms to support his purported expenses.

As part of the plea agreement, White resigned from the Postal Service and agreed to pay restitution in the amount of \$12,783.42. To pay the restitution, White cashed in his unused

annual leave in the amount of \$8,063.74 and his accumulated retirement in the amount of \$4,692.68. White also agreed to pay an additional \$11,000 penalty and execute a separate settlement agreement with the United States in relation to a civil claim under the False Claims Act.

PHARMACEUTICALS FRAUD

The owner of several pharmaceutical businesses in Minnesota and Colorado pleaded guilty and was sentenced to 46 months in prison for defrauding drug manufacturers. James M. Bottineau was also ordered to pay \$4.7 million in restitution.



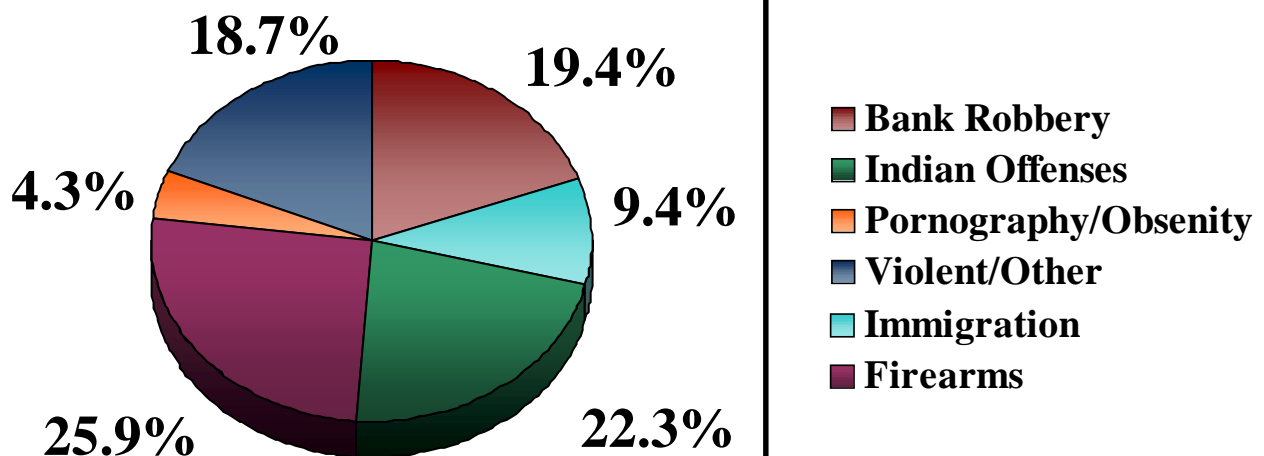
Bottineau was able to purchase pharmaceuticals at greatly reduced prices based upon false representations to pharmaceutical manufacturers and buying groups that the drug would be sold only to institutional customers, such as adult foster home clients and nursing home patients. Bottineau admitted that the pharmaceuticals



**Margaret B. Magill,
Major Crimes
Section Chief**

The Major Crimes Section is the largest section in the United States Attorney's Office. For FY01, 43.5% of all criminal cases charged by way of indictment or information were major crimes cases. This is an increase over FY00, during which 42.2% of cases were charged by the Major Crimes Section.

Major Crimes Cases FY 2001



were diverted and resold to wholesalers for large and illicit profits.

CHILD PORNOGRAPHER DISTRIBUTOR SENTENCED

Jason Albert Becht was sentenced to 97 months in prison for possessing and distributing child pornography.

Evidence during Becht's trial proved that Becht ran a pornography website from his home. The website included directories for young, teen, and incest pornography. People from over 81 countries had accessed Becht's website, and images of child pornography had been downloaded by thousands of users.

Becht's website was discovered by the National Center for Missing and Exploited Children.

CARJACKER SENTENCED

Roy Bougie was sentenced to 10 years in prison for attempted carjacking. On April 4, 2000, Bougie approached a woman at a shopping mall, put a gun to her head, and attempted to take her car. When the car wouldn't start, Bougie fled on foot. He was chased by several people. During the chase Bougie fired two shots from his gun.



California. The victim backed out of the meeting. Rose tracked her down and learned that the victim was married. A short time later Rose began sending threatening e-mail messages to the victim.

The e-mails included threats to murder the victim's children. He also created web sites on which he posted pictures of the woman's children with their home address and phone number. On the web sites and in chat rooms, Rose also pretended to be the children and claimed the children enjoyed being raped.

TRIBAL EMBEZZLEMENT

Roderick HighElk, the former director of the Tribal Employment Office (TERO) on the White Earth Indian Reservation, pleaded guilty and was sentenced to 12 months and a day for embezzling \$11,348.80 from the tribal organization. HighElk admitted that from May

1999 through July 2000 he diverted a total of \$70,200 TERO funds received from a casino as reimbursement to the White Earth Tribal Council for wages paid to part-time and temporary employees at the casino. One of the functions of TERO was to find part-time and temporary employees for various programs operated by the Tribal Council.



CYBER STALKING

Richard Rose, a Long Beach, CA, man, who sent threatening e-mails to a Minnesota woman, was convicted by a jury of interstate cyber stalking and sending threatening communications.



Rose began an on-line relationship with a Minnesota woman who claimed to be a widow. Rose and the victim arranged to meet in

FAMILY RUN BANK FRAUD SCHEME

Kenneth Norris, the head of a family-run bank fraud scheme that defrauded US Bank of an estimated \$800,000, was sentenced to 63 months in prison.

From April 1998 to February 2000, Norris and his co-defendants recruited over 80 individuals to act as "runners," who were paid to open checking accounts at US Bank. Once the accounts were opened, the defendants used the newly acquired ATM cards to make

fraudulent deposits. After the deposits were made, the defendants drove the recruits to casinos where the runners made repeated cash withdrawals using an ATM or casino cashier.

PROHIBITED FIREARMS

Frederick Henry Kern, Jr., pleaded guilty to illegally possessing at least six fully automatic machine guns and 11 firearm silencers. The seizure of these weapons constituted the largest number of NFA weapons seized at one time in the District of Minnesota. Kern was sentenced to 12 months in prison, followed by two years supervised release including six months of home detention.



COUNTERFEIT IDENTIFICATION CARDS

Jose Candaneda-Lopez, Joel Navarrete-Garcia, and Alain and Eric Tinoco-Aceves pleaded guilty to charges stemming from manufacturing and selling counterfeit resident alien cards, social security cards, employment authorization cards, and out of state drivers' licenses. During two separate search warrants in the case, agents seized hundreds of fraudulent documents used for entry into and as evidence of authorized stay and employment in the United States, as well as over \$2,000 in currency and equipment for creating the forged cards.

ILLEGAL NATIVE AMERICAN CULTURAL ITEMS

Timothy Kornwolf was sentenced to three years probation with 180 days of electronic home monitoring for selling illegal Native American cultural items containing golden eagle feathers. Kornwolf was also ordered to pay a \$2,000 fine and the cost of his supervision.



Kornwolf pleaded guilty to two counts of violating the Bald & Golden Eagle Protection Act and two counts of violating the Migratory Bird Treaty Act. He admitted that he sold Native American cultural items, including a Sioux dance shield valued at \$7,000 and a Native American headdress valued at \$15,000, knowing that selling the items was illegal because they contained golden eagle feathers.

FY 2001 HIGHLIGHTS ASSET FORFEITURE

The Asset Forfeiture Unit (AFU) seeks the forfeiture of property associated with criminal conduct.

Recoveries by the AFU have remained relatively consistent over the past three fiscal years with an increase in FY01. During FY01, a total of \$1,255,560.95 was collected; during FY00, a total of \$753,005.30 was collected; and during FY99, a total of \$1,185,926 was collected.

In addition, \$179,000 collected from the disposition of forfeitable property in FY01 was applied to criminal restitution. Through the District's Equitable Sharing Program, a total of \$591,291.50 was shared with 14 local law enforcement agencies.

Attorneys in the Narcotics/OCDETF ("Organized Crime Drug Enforcement Task Force") Section prosecute drug traffickers and organized drug trafficking rings based on federal narcotics laws in conjunction with numerous state/local and federal drug task forces.

NARCOTICS/ OCDETF

FY 2001 Case Highlights

FIRST GBL PROSECUTION IN MINNESOTA

Sentences were handed down in the first federal prosecution in Minnesota of the drug GBL. Kyle Anderson was sentenced to 60 months in prison; Jesse Garding was sentenced to 57 months; and Christopher Casey was sentenced to 46 months in prison.

All three defendants pleaded guilty to charges related to the possession of GBL with the intent to distribute it for human consumption.

GBL, short for gamma butyrolactone, is an analogue of the controlled substance GHB. GBL is a depressant that is usually sold in liquid form under such names as "Blast," "Verve," and "V-35." GBL is a dangerous party drug that

can cause its users to suddenly lose consciousness and can also be used as a "date rape" drug. The substance 1,4-butanediol is another industrial solvent that is used illicitly as a depressant. When ingested into the human body, both GBL and 1,4-butanediol convert to GHB. GBL has a legitimate use as an industrial solvent and is also used in paint strippers. The substance is illegal only when it is intended for human consumption.



COCAINE DEALER IS SENTENCED TO LIFE

Jeffrey Lynn Miller, a Detroit, Michigan man who was dealing drugs in Minneapolis and was involved in the murder of a drug acquaintance following an argument over cocaine, was sentenced to life in prison without parole.

Miller was convicted by a jury in August 2000 of premeditated murder during a drug trafficking crime, drug trafficking, being a felon in possession of a firearm, and the use of firearms during and in relation to a drug trafficking crime.

Miller shot Mario Phillips, the victim, while arguing over the split of cocaine. Earlier in the day Miller and Phillips had robbed a street level cocaine dealer at gun point.

LEADERS OF LARGE-SCALE METHAMPHETAMINE RING SENTENCED

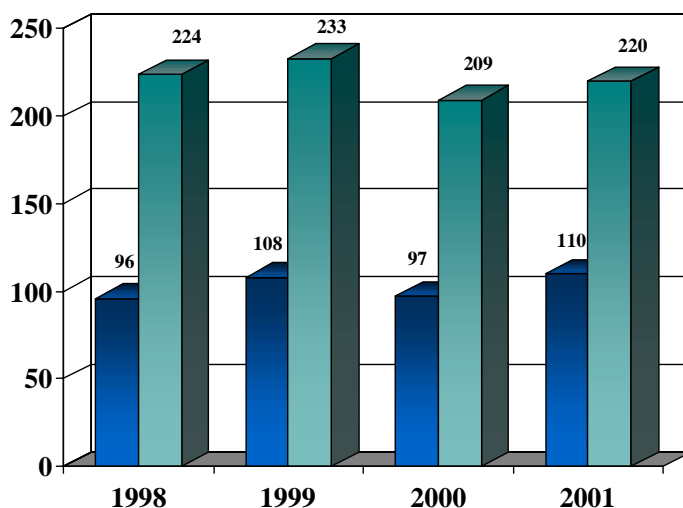
The leaders of a large-scale methamphetamine manufacturing and distribution ring, which was responsible for introducing into Central Minnesota a method of manufacturing methamphetamine using over-the-counter cold medicines, lithium batteries, and anhydrous ammonia (liquid fertilizer), were sentenced to prison. The leaders included Aaron Carver and Michael Zimmer, who each received 30 years, and James Stoltz, who received 19 1/2 years. This method



**Andrew Dunne,
Narcotics/OCDETF
Section Chief**

The focus of this unit's work is the prosecution of drug distribution organizations with interstate connections. During FY01, 34.1% of the criminal cases charged by way of indictment or information in the District of Minnesota were narcotics related cases. This compares with 29.2% of the criminal matters charged as narcotics cases during FY00.

Narcotics Indictments and Informations



■ Indictments
■ Defendants

enabled the organization to manufacture large quantities of methamphetamine that was approximately 90 percent pure.

A total of 17 individuals involved with this ring were indicted and convicted. Sentences ranged from two years for low-level cooperators to the 30-year sentences the leaders received.

FIREARMS AND DRUGS

Darius Randal Brown, from Rochester, MN, attempted to carry two loaded firearms onto an airplane. He later pled guilty to using a telephone to buy or sell drugs and was sentenced to 48 months in prison.

On September 14, 2000, at approximately 7:00 a.m., Brown approached the Sun Country Airlines ticket counter at the Hubert Humphrey Terminal and presented a ticket for travel from Minneapolis to Detroit, MI. Brown was directed to proceed directly to the gate since the flight was in the boarding process.

When Brown went to the security checkpoint and placed his suitcase on the x-ray machine, security personnel discovered two 9 mm semi-automatic handguns. Both pistols contained fully loaded magazines. When the weapons were discovered, Brown ran from the security checkpoint and out of the terminal.

HOTEL METH LAB

Denise Marie Caron, a Sherburne County woman, was involved in the manufacturing of methamphetamine in an Elk River, MN hotel and was sentenced to 24 months in prison. In addition, Caron's two sons, Dion Caron and Adam Caron, were sentenced to 60 months and 37 months, respectively. Both men and their



mother were also ordered to pay \$71,000 in restitution to the owners of the former Red Carpet Inn in Elk River where the methamphetamine labs were discovered. Caron's husband, Gary Caron, was also indicted in the case and remains a fugitive.

The Carons ran methamphetamine labs in various locations inside the hotel, including in the rooms they occupied, the garage, and a room under the swimming pool. When law enforcement searched the hotel in January 2001, they discovered materials used in the manufacturing the methamphetamine and other miscellaneous drug paraphernalia.

ECSTACY RING MEMBERS SENTENCED

Shawn Michael Dohmen, the leader of a drug ring that was importing Ecstasy into Minnesota, was sentenced to 30 months in federal prison and ordered to perform 150 hours of community service.

Dohmen and five co-defendants pleaded guilty to conspiracy to distribute Ecstasy. Michael Fraga was sentenced to 40 months in prison; Jane Meehan was sentenced to eight months in prison; Linda Gohlke was sentenced to 24 months in prison; Sean Meehan was sentenced to one year and one day in prison; and Mary Schleis was sentenced to two years probation.



The investigation into the Ecstasy ring began in mid-November 1999 when U.S. Customs agents intercepted seven suspicious packages sent to Minnesota from Amsterdam, in the Netherlands. Each package was opened and found to contain Ecstasy. Each package contained approximately 1,000 Ecstasy pills. A controlled

delivery of a package was made to Jane Meehan and her estranged husband, Sean Meehan. The couple had been recruited by Gohlke, who promised to pay them \$500 for each package received. Gohlke, in turn, had been recruited by Dohmen, the leader of the organization.

MAJOR COCAINE DISTRIBUTION MEMBERS SENTENCED

Leaders of a major cocaine distribution network pleaded guilty and were sentenced to prison for conspiracy and distributing in excess of 50 kilograms of cocaine in the Twin Cities and surrounding counties. Francisco Javier Garcia-Rojo was sentenced to 168 months in prison; Rogelio Gastelum-Garcia was sentenced to 151 months in prison; and Jose Moreno was sentenced to 121 months in prison. Five other co-conspirators were also sentenced to terms of imprisonment ranging from 18 months to 57 months in prison. Three others remains fugitives.

Late in 1998 law enforcement was notified that large amounts of cocaine were being sold in the Twin Cities area. Undercover police officers infiltrated the organization and purchased cocaine from the defendants. Later in the

investigation law enforcement received information that helped define the scope of the conspiracy.



During the investigation, several search warrants and arrest warrants were executed. Law enforcement seized substantial amounts of narcotics and over \$250,000 in cash. Most of the cash was discovered in a hidden compartment of an oven at the residence of one of the defendants. It is believed that the money seized was a small portion of the proceeds the defendants received for trafficking the narcotics.

MAJOR METH DEALER SENTENCED

Juan Gabriel Rosas, a primary drug source from California responsible for trafficking at least 32 pounds of methamphetamine seized in Minnesota on October 24, 1999, was sentenced to 210 months in prison.

Between 1998 and 1999, the DEA investigated a group of individuals responsible for the transportation of large quantities of methamphetamine and cocaine from California to Minnesota. The group was responsible for possession with the intent to distribute and distribution of over five kilograms of cocaine hydrochloride and over 23 kilograms of methamphetamine.

The main Minnesota distributors of the narcotics were Jose Guadalupe Jimenez-Villasenor and Jesus Ibarra-Torres, both of St. Paul, MN. Jimenez-Villasenor was convicted and sentenced to 292 months in prison. Ibarra-Torres pleaded guilty to drug conspiracy and was sentenced to 188 months in prison. Eight other co-defendants in the case were responsible for distribution of the narcotics in Minnesota.



METH LAB DISCOVERED AFTER APARTMENT FIRE

James Michael Strate was sentenced to 70 months in prison for manufacturing methamphetamine and endangering human life while illegally manufacturing methamphetamine.

Authorities discovered the methamphetamine lab following a fire at Strate's apartment complex. When police officers and fire fighters responded to the fire, they encountered Strate exiting his apartment carrying numerous firearms.

During the execution of a search warrant at Strate's apartment, officers recovered a quantity of methamphetamine, a scale, a police scanner, and materials commonly used for manufacturing methamphetamine including glassware, venting material, a butane torch, and ephedrine packets.

A search warrant was also executed at a cabin that was owned by Strate's father and managed by Strate. During the search, officers seized several firearms, a fully operational clandestine meth-amphetamine lab, a police scanner, two other boxed meth labs, a box with numerous pipe bombs and homemade booby traps, and methamphetamine manufacturing materials.

LOCAL DRUG PROSECUTIONS FEATURED ON NATIONAL CRIME SHOWS

FBI Top Ten Fugitive

"America's Most Wanted" featured Hopeton Brown, a St. Paul, MN man charged with killing

a St. Paul man and leaving his girlfriend for dead as part of a drug conspiracy.

In 1999, a federal grand jury charged Brown and two other co-defendants with drug conspiracy, carrying a firearm in relation to a drug trafficking crime, murder in relation to a drug trafficking crime, and attempted murder of a witness.



Drug Murder Case on Discovery Channel

In September, "The FBI Files," a Discovery Channel show, featured a drug murder case prosecuted in the District of Minnesota that resulted in two life sentences.

Kenneth Jones and Jeffrey Barnes were convicted in 1996 of murder in furtherance of a continuing criminal drug enterprise and conspiring to distribute in excess of five kilograms of cocaine and crack. In addition to the murder charge, Jones was convicted of running a continuing criminal enterprise selling cocaine and crack cocaine in St. Paul and Minneapolis from January 1985 through June 1990.

the FBI's **ten** most
wanted fugitives

During the course of the criminal enterprise, Jones recruited and hired a number of couriers. In June

1990, Jones obtained a large quantity of cocaine from an LA drug source. On June 23, 1990, Jones and Barnes killed the source, dumping his body in a St. Paul, MN, alley and setting him on fire.

Jones was sentenced to four concurrent terms of life in prison without parole. Barnes was sentenced to two concurrent terms of life in prison without parole.

Assistant United States Attorneys in the Economic Crimes Section focus on major frauds, such as investment scams, health care swindles and pyramid schemes, large scale mail and wire fraud, bank fraud, computer crimes cases and public corruption prosecutions.

ECONOMIC CRIMES

FY 2001 Case Highlights

INSIDER TRADING

George Kline and Robert R. Hibbs, key figures in an extensive insider trading and securities fraud conspiracy, and Kline's two sons, Erich and Christian, pleaded guilty and agreed to pay criminal penalties of more than \$9 million through fines and forfeitures.

As a board member of many Minnesota-based publicly traded companies, George Kline had access to material non-public information regarding these companies. He admitted that at various times he used nominee entities to trade in the securities of these and other companies in order to avoid SEC reporting requirements. He also admitted that he regularly passed this material non-public information to, among others, Hibbs and his two sons, knowing that they would trade based on the inside information.



George Kline pleaded guilty to conspiracy, insider trading, mail fraud, and money laundering. He also agreed to pay total criminal penalties, through forfeitures and fines, in an amount of approximately \$5 million, including the forfeiture of all of his 387,875 shares of stock in Rimage Corporation, \$200,000 in cash, a condominium and furniture located in Bloomington, MN, a condominium and furniture located in Two Harbors, MN, and a \$425,000 personal money judgment. He also agreed to pay a \$250,000 fine by selling his entire antique car collection.

Erich Kline admitted to conspiring with George Kline to commit securities and mail fraud from October 1995 to March 2001. Erich Kline agreed to pay total criminal penalties of approximately \$450,000, including a \$250,000 fine from the proceeds of the

liquidation of his savings account and the sale of his Porsche Boxster, and an additional \$200,000.

Christian Kline went to work for George Kline in April 1996. He admitted that he aided George Kline in Kline's failure to file SEC Forms 4 and 5 following various securities transactions by George Kline. The SEC requires all insiders to file Forms 4 and 5. Christian Kline agreed to pay \$50,000 fine and forfeit \$425,000.



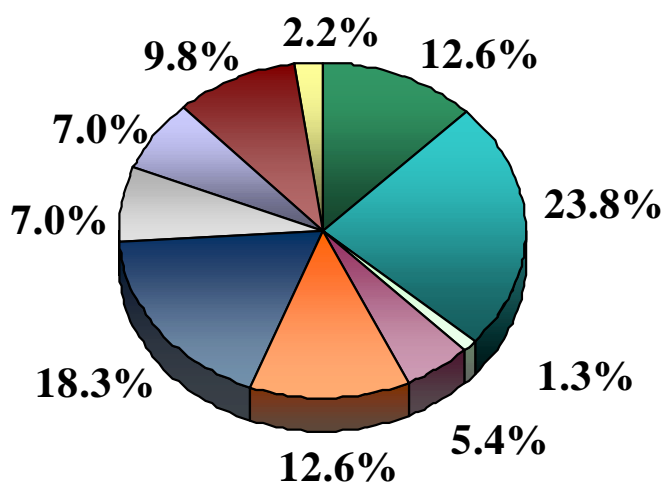
Hibbs, a Minneapolis businessman, pleaded guilty to multiple federal felonies of tax evasion, conspiracy to commit securities and mail fraud, and insider trading. He agreed to pay more than \$3.2 million in criminal penalties, through fines and forfeitures, including the forfeiture of \$1.2 million in cash from the sale of his Lake Harriet home, 139,600 shares of Rimage Corporation stock, \$450,000 in cash from the sale of stock, and a \$350,000 personal money judgment. He also agreed to pay an additional cash fine of \$250,000. In addition, Hibbs has already paid more than \$1.1 million to the IRS and more than \$200,000 to the State of Minnesota in back taxes, penalties, and interest.



**Frank J. Magill,
Economic Crimes
Section Chief**

Economic crime cases have remained steady during the past few years. During FY01, Economic Crime cases accounted for approximately 22.4% of the number of criminal cases charged by indictment or information in the District of Minnesota. By comparison, during FY00, Economic Crime cases accounted for 28.6% of the criminal cases initiated.

Economic Crimes Cases FY 2001



- Tax Fraud
- Bankruptcy Fraud
- Federal Program Fraud
- Health Care Fraud
- Fraud Against Business
- Securities Fraud
- Fraud
- Corruption
- Bank Fraud/Embezzlement
- Organized Crime
- Insurance Fraud

MINNEAPOLIS COUNCIL MEMBER PLEADS TO EXTORTION

Minneapolis City Council Member Brian Herron pleaded guilty to extorting a \$10,000 payment from a Minneapolis business owner.

The investigation began when the business owner complained to the FBI that Herron had earlier demanded a \$7,000 loan. Herron's conversation with the business owner concerning a pending regulatory matter between the City of Minneapolis and the cooperating business owner's business was recorded. Herron repeatedly asserted that he had worked on the business owner's behalf and would continue to lobby other City Council members for favorable action. Thereafter, Herron stated that he had some bills he had fallen behind on and wanted to pay and that \$10,000 would resolve his bills.

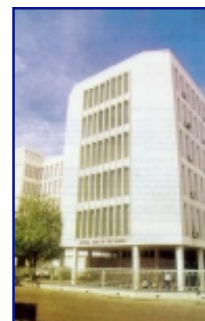
HEALTH CARE FRAUD

Keith Edward Kimmons, the former Director of Enterprise Computing at Blue Cross Blue Shield of Minnesota (BCBS), and Henry Fred Camacho, Jr., the president of Innovative Software Designs, Inc. pleaded guilty to defrauding BCBS of \$800,000 by billing BCBS for computer consulting work that was never done. Kimmons and Camacho prepared and submitted fraudulent Innovative Software invoices to BCBS for work purportedly done by Innovative Software employees. Kimmons also failed to disclose to BCBS that he and Camacho owned Innovative Software Designs, a Minneapolis firm that provided computer software consulting and internet access.



BANK OFFICER SENTENCED FOR FRAUD

Richard L. Hodges, a former employee of Wells Fargo Bank, was sentenced to 48 months in prison and five years supervised release for bank fraud and tax fraud charges. Hodges was also ordered to pay restitution to Wells Fargo in the amount of \$1,617,430.70.



During his guilty plea hearing, Hodges admitted that from May 1992 to February 1999, he defrauded Wells Fargo by taking more than \$1 million by using false general ledger debit tickets to obtain cashier's checks that he then deposited into his personal bank account. Hodges also admitted to filing a false 1996 tax return, when he failed to include approximately \$301,805 in income he illegally obtained from the bank.

PHOTRAN EXECUTIVE PLEADS GUILTY

David E. Stevenson, the former Chief Executive Officer and founder of the defunct Photran Corporation pleaded guilty to wire fraud.

Stevenson admitted that in November and December 1995, he created a series of fictitious and inflated financial transactions that falsely showed Photran to be profitable. The false financial statements were issued just prior to the initial public offering of Photran stock. Stevenson admitted that he caused fake invoices totaling \$950,719 to be issued to Yorkwell Company, Ltd, a sham corporation he established, to create the appearance that Yorkwell purchased products from his company. Stevenson also admitted that he provided Photran money to Yorkwell, which in turn wire

transferred the funds back to Photran, purportedly to pay for the products.

INTERNET STOCK PROMOTION FRAUD CASES

In one of the first Internet stock promotion fraud cases criminally prosecuted in the country, Jeffrey C. Bruss pleaded guilty to commit securities fraud involving stock issued by Keystone Energy Services, Inc.

Bruss owned and operated The Future Superstock, Inc., which published an Internet stock promotion newsletter regarding securities issued by Keystone and other publicly traded corporations.

In The Future Superstock publications touting the purchase of Keystone stock, Bruss stated that "The Future Superstock was compensated 35,000 shares for its public relations services and for the dissemination of this report." Bruss admitted that substantially more than 35,000 Keystone shares had been transferred to securities accounts in Vancouver, Canada, in order to capture and control the market for Keystone's stock; to fund Future Superstock's operations; and to be used as investment capital in other business ventures.

Bruss touted Keystone stock in his Internet newsletter, and the price of Keystone stock rose from \$4.97 per share to \$12.87. Stock transferred to the Canadian securities accounts were sold into the public market after the price had risen, including stock that Bruss personally directed be sold from the Future Superstock's account. He admitted that he did not disclose to The Future Superstock's subscribers that he had directed the sale of Keystone stock.

Others involved in a fraud scheme involving Keystone securities also pleaded guilty. Joel



Nudelman, Richard Carey, and John Picken pled guilty to conspiring to commit securities fraud with respect to Keystone stock. Nudelman and Carey admitted that they pegged the price for Keystone stock by engaging in trades between themselves, that the conspirators thereafter succeeded in fraudulently listing Keystone stock for quotation on the NASD's Over-the-Counter Bulletin Board, and that they financially benefitted from their subsequent liquidation of Keystone stock. (Nudelman recovered more than \$4 million; Carey more than \$2.5 million, and Picken more than \$1.6 million.)

Nudelman also admitted to passing the illegal proceeds through corporate bank accounts that existed only to assist him with avoiding detection. Nudelman's stock broker, Martin Fiterman, of Protective Group Securities, pled guilty to aiding and abetting Nudelman's trades through securities brokerage accounts held at Protective Group in Minneapolis.

PSYCHICS SENTENCED



Merna Sunde and Scott Taylor ran an advance fee scheme that bilked over 100 people of more than \$465,000 by promising to "remove hexes, curse, and spells," provide winning lottery numbers, and return lost lovers, and were sentenced to prison.

Sunde was sentenced to 51 months in prison and ordered to pay \$465,000 in restitution. Taylor was sentenced to 27 months in prison and ordered to pay \$82,410 in restitution.

Sunde and Taylor advertised their financial and "psychic" services in tabloid publications. Victims were required to pay fees were required to be paid in cash or a cash equivalent. Payment plans were arranged for those victims who were financially unable to pay the required fee immediately.

REAL ESTATE FLIPPING

Attorney Mark Levine was sentenced to 57 months in prison and three years supervised release for his role in two mortgage fraud schemes. He was also ordered to pay restitution in the amount of \$183,419.

Both fraud cases involved property flipping which is the purchase and quick resale of a property at a greatly increased price using fraudulent appraisals that inflate the value of the property. The flipping fraud leaves lenders with mortgages on properties that are worth substantially less than the debt and home owners paying mortgages that are greater than the properties are worth.

Michael Meehan, the leader of a real estate flipping ring that defrauded commercial lenders of an estimated \$3.5 million, was sentenced to 46 months in prison. During the course of the conspiracy that ran from January 1996 to June 1998, Meehan and co-defendants conducted more than 100 fraudulent real estate transactions. Real property was purchased through businesses owned by Meehan and others, and fraudulent appraisals were prepared to substantiate the over-inflated values for the properties.

BUSINESSMAN SENTENCED FOR USING CLIENT FUNDS FOR STOCK TRADES

St. Paul businessman John Davies was sentenced to 34 months in prison for illegally using an estimated \$9 million in client funds to trade in the stock market. Davies was also ordered to pay restitution in the amount of \$4,178,672.



Davies acted as a qualified intermediary in certain real estate transactions. He defrauded customers by illegally using their funds to trade speculative common stocks in violation of his representation that client funds would be invested in conservative, low risk investments. He transferred client funds from a money market account into a stock trading account and used the funds to buy and sell common stock.

T-Bill Leasing Program

Richard Gravatt, who orchestrated an \$11 million fraud scheme involving a "Treasury Bill leasing program," was sentenced to 262 months in prison and ordered to pay over \$9 million in restitution.

Gravatt was convicted by a federal jury on multiple counts of money laundering, mail fraud, wire fraud, conspiracy, and running a continuing financial crimes enterprise, the so-called "Financial Kingpin" statute. This is one of the few times in the nation that the federal Financial Kingpin statute has been applied.

Gravatt defrauded and obtained monies from more than 70 investors in a Treasury Bill leasing program that promised investors a return of more than 2,000 percent on their investment. The fraudulently obtained funds were laundered through bogus companies established in Tennessee. The investors' monies were spent on an attempt to buy the former Firststar Office Building in Wayzata, on promoting K-7, and on the personal expenses of the K-7 officers including a houseboat, some \$900,000 downpayments on a variety of houses, and several luxury cars.



The Civil Division represents the United States in all civil actions brought to federal or state court in Minnesota in which the federal government is a party. Federal civil laws are passed by the United States Congress to safeguard the citizens of this country.

CIVIL DIVISION

District of Minnesota

In addition to criminal statutes, there are also Federal laws which prohibit the polluting of rivers and streams, as well as discrimination in housing and education based on race, and which govern when a party fails to comply with the terms of a government contract—to name a few. When a decision is made by a civil litigator at the U.S. Attorney's Office that a violation of federal civil law has occurred, an Assistant U.S. Attorney files a summons and complaint with the federal district court and serves a copy of those documents on the alleged offender ("defendant"). When a private party initiates a civil action against the United States, the roles are reversed and the federal government becomes the defendant.

The summons identifies the court where the case was filed, names the parties involved and outlines

the time period the defendant has to respond to the complaint. The complaint sets forth the facts and allegations relative to the lawsuit and the relief sought by the party filing the suit ("plaintiff"). If the defendant fails to file a response ("answer") with the federal district court within the time allowed, a default judgment may be entered, providing the plaintiff with the relief requested in the complaint. Usually, the relief sought is money or action of some kind.



The Civil Division is, in large part, divided into two teams. One team of Assistant U.S. Attorneys represents the interests of the United States as a defendant whenever it or one of the federal agencies, its officers or agents is sued. These defensive matters include employment disputes, medical malpractice, wrongful death, auto accidents, other tort

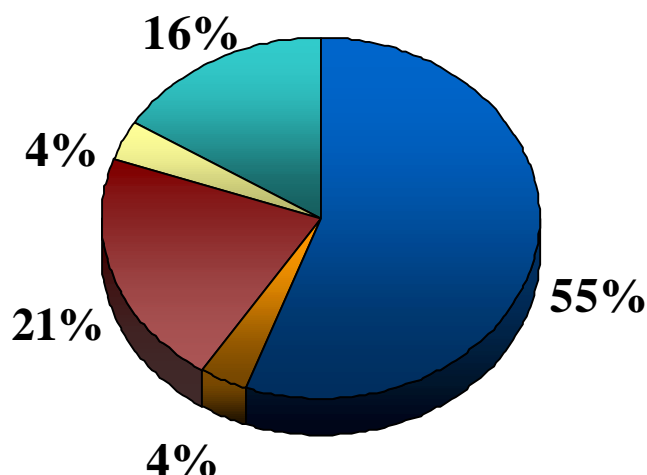
actions, judicial review of administrative decisions, Freedom of Information Act and Privacy Act cases, immigration cases and cases challenging the constitutionality of federal statutes and regulatory schemes. The Civil Division is also actively involved in affirmative action associated with the war on terrorism.

The second team of Assistant U.S. Attorneys represents the interests of the United States as a plaintiff in affirmative litigation. This work includes civil fraud litigation and civil rights investigations and litigation conducted under the Fair Housing Act and the Americans with Disabilities Act (ADA).

The office of the U.S. Attorney also represents the interests of the United States in bankruptcy proceedings, mortgage foreclosures, in actions affecting property on which the federal government has a lien, in social security disability appeals and in land condemnation cases.

The Financial Litigation Unit (FLU) is also part of the Civil Division. The FLU is tasked with the responsibility of collecting defaulted federal loans, criminal fines, and any monies due the United States as a result of judgments in favor of the federal government or as a result of negotiated settlement agreements.

Disposition of Civil Cases FY 2001



**Joan D. Humes,
Civil Division Chief**

A total of 537 cases were pending in the Civil Division at the beginning of FY01. During the year, 764 new cases were opened and 674 cases were closed. At the close of FY01, 601 cases were pending. During the year, attorneys in the Civil Division attended 79 pretrial and/or settlement conferences. They argued 97 motions, attended 168 court proceedings other than hearings on motions and represented the interests of the United States at 104 depositions.

- Dispositive Motions
- Trials
- Settlements - Affirmative
- Motions for Injunctive Relief
- Settlements - Defensive

TRIALS

Civil Division attorneys tried three cases in FY01. All three were adversary proceedings in bankruptcy. In two of the cases, debtors sought to have their Higher Education Assistance Loans ("HEAL") discharged. In both cases, the judge ruled in the government's favor and ordered that the debtor's HEAL loans be excepted from their discharge in bankruptcy. In the third adversary proceeding, the debtor sought discharge of student loans, and prevailed, after providing evidence that there were insufficient assets and insufficient prospects of future income to make recovery of the amount of the loan debt possible.



that it did not provide. The Court granted the TRO and preliminary injunction and turned the company over to a receiver, who could then preserve any assets. In this way, the United States could ensure that victims of this fraudulent scheme would recover some of their losses.

Civil Division attorneys also succeeded in bringing a TRO to freeze the assets of a chiropractor who was later indicted for fraudulent billing practices, *United States v. Stephen Erhart et al.* The civil injunctive case prevented the dissipation of the chiropractor's fraudulently-obtained monies, while the criminal investigation was completed.

APPEALS

Civil Division attorneys litigated 29 cases to appeal during FY 2001. Examples of civil cases which were argued at the appellate level include:

United States v. City of St. Paul: The Eighth Circuit affirmed the District Court's injunction preventing the City of St. Paul from demolishing homes owned by the U.S. Department of Housing and Urban Development ("HUD") and from interfering with the affordable housing goals of Congress. The United States had sued the City when it moved to demolish a house HUD was selling to a buyer who was willing to bring the house up to code and preserve the property as affordable housing stock.



DISPOSITIVE MOTIONS

Civil Division attorneys handling defensive cases brought 41 motions to dismiss or motions for summary judgment. Six cases were voluntarily dismissed after Civil Division Attorneys persuaded the plaintiffs that their claims were unlikely to prevail.

MOTIONS FOR INJUNCTIVE RELIEF

Civil Division attorneys represent the interests of the United States in proceedings for emergency injunctive relief (temporary restraining orders, or "TROs").

Two of the TROs argued in 2001 involved affirmative actions on behalf of the United States. In the first, *FTC v. Bryan J. Kruchten d/b/a Page Creators et al.*, the United States, on behalf of the Federal Trade Commission, brought a TRO to freeze the assets and enjoin the illegal activity of a web-based company which was charging for services

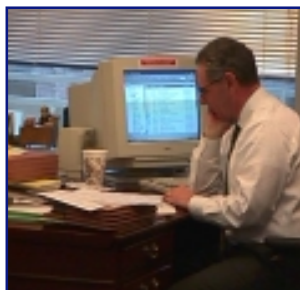


Associated Contract Loggers, Inc. et al. v. United States Forest Service et al.: The plaintiffs had sought declaratory, injunctive and monetary relief from the United States Forest Service, challenging the Forest Service's management of national forest lands in northern Minnesota. Plaintiffs contended that actions taken by the Forest Service, in making

and implementing decisions regarding specific timber sales and road permits, indicate that the Forest Service was breaching statutory duties and was "establishing religion" within the meaning of the First Amendment. Summary judgment was granted in favor of the government and the 8th Circuit affirmed the District Court's decision.

CIVIL DIVISION SETTLEMENTS

Civil Division attorneys representing the interests of the United States in defensive cases negotiated settlements in 12 cases, including auto accidents, medical malpractice, and employment discrimination cases. Eleven cases involved monetary settlements, which totaled \$126,250 for FY01.



the Civil Division attorneys defended 20 cases involving allegations of employment discrimination against agencies including the Postal Service, the Social Security Administration, the Department of Transportation, the Department of Veterans Affairs, and other federal agencies.

An example of an employment discrimination case litigated in 2001 is *Michael Sherman v. Marvin T. Runyon, Jr.*, wherein the plaintiff claimed that he had been fired because of his disability or in retaliation for having filed previous claims of discrimination. The United States prevailed in proving that the Postal Service had terminated the plaintiff for appropriate disciplinary reasons. The 8th Circuit affirmed on appeal.

2001 Defensive Case Highlights

ENVIRONMENTAL

The United States Attorneys Office works with the Department of Justice, Environment and

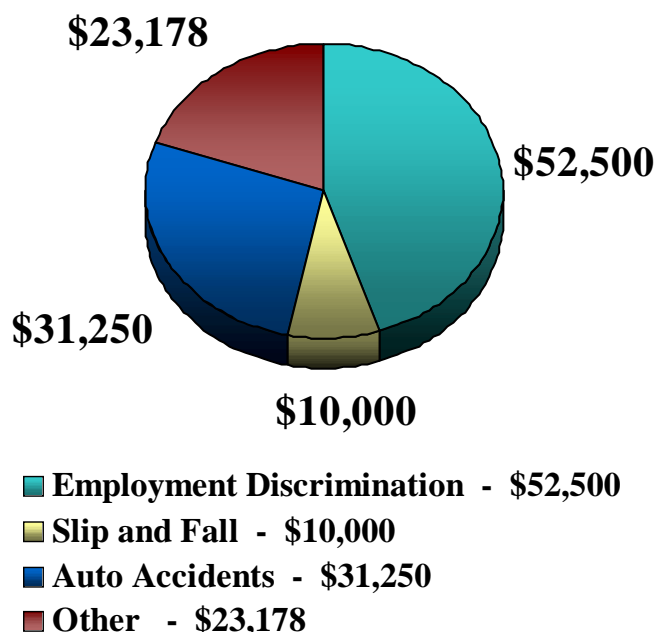
MEDICAL MALPRACTICE

The United States Attorney represents federal health care facilities, such as the Department of Veterans Affairs Medical Center and Indian Health Centers, in claims of medical malpractice, including allegations of failure to diagnose, failure to treat, or other negligence.

EMPLOYMENT CASES

The United States Attorney defends government agencies when they are sued by their employees for alleged discrimination on the basis of age, sex, race, or other grounds. In FY01,

Civil Defensive Settlements



Natural Resources Division, to enforce federal clear water, clear air, and environmental standards cases. In FY 01, Civil Assistants resolved two major environmental cases. In *United States v. Cenex Harvest States Cooperative*, the United States sought injunctive relief and the assessment of civil penalties for violations of the Clean Water Act. The parties entered into a Consent Decree wherein Cenex was required to pay a penalty of \$56,250 and agreed to implement a variety of environmental measures. The total settlement value of the case was approximately \$356,250.



In *United States v. Minnesota Metropolitan Council ("MMC")*, the United States filed a complaint alleging that MMC exceeded emission limits and failed to operate its Wastewater Treatment Plant consistent ("WWTP") with good air pollution control practices for minimizing emissions. The WWTP processes approximately 250 million gallons of wastewater per day. The government sought injunctive and other relief. The parties entered into a Consent Decree in December.

AFFIRMATIVE CIVIL ENFORCEMENT

Civil Division attorneys assigned to the Affirmative Litigation team recovered over \$6.8 million in FY01. Seventeen affirmative cases were settled, including cases involving workers compensation fraud, health care fraud, unemployment benefit fraud, crop insurance fraud, drug diversion, defense contract fraud and commodities futures fraud. The affirmative team also represents the United States' interests in such diverse cases as recovering medical care costs from federal detainees who later obtain workers compensation benefits, pursuing an individual who logged trees on Indian Trust land without approval, and seizing

compounded drugs from a veterinary supply operation which were allegedly adulterated.

CIVIL RIGHTS INITIATIVES

Our civil rights initiative includes both civil and criminal civil rights matters. In FY01, one criminal civil rights case was indicted, *U.S. v. Gary Corum*, which involves telephone threats to three area synagogues.

In connection with the civil component of our civil rights initiative, Civil Division attorneys pursued two major projects. The first involved an initiative under the Americans with Disabilities Act. A team of federal, state, and local experts reviewed how major metropolitan hospitals complied with federal and state laws requiring "effective communication" for deaf patients. Without effective communication, deaf patients are unable to explain their symptoms, understand medical instructions or warnings, or fully participate in their medical treatment. The team made recommendations for upgrading hospital protocol, procedures and equipment. As a result, all of the participating hospitals made substantial changes in their policies to respond to the communication needs of deaf patients and families.

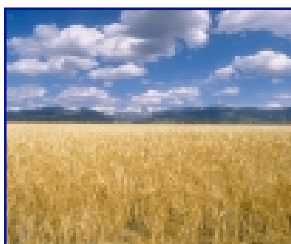
Civil Division attorneys also continued a Lead-Based Paint Project, which also involved a working group of city, state and federal enforcement agencies. During FY01, over 45 audits were conducted by joint teams to review compliance with federal lead disclosure laws. Every major landlord and property manager in the Twin Cities was the subject of this audit. Every effort is being made to eliminate childhood lead poisoning through this cooperative project.



2001 Affirmative Case Highlights

HEALTH CARE FRAUD

In *United States v. Vencor*, the United States sued a nationwide nursing home operator for failure to provide sufficient quality of care to its Medicare patients. The government recovered over \$300,000 for the Minnesota-based nursing homes.



DEFENSE CONTRACT FRAUD

In *United States ex rel Shukla, Seman v. United Defense, et al.*, the United States recovered over \$3 million for the failure of United Defense to heat-treat a defense system product for the United States Navy. The recovery was obtained in a settlement of qui tam actions filed by two whistleblowers employed by United Defense.

COMMODITIES FUTURES FRAUD

In *CFTC v. Pension America, Inc.*, the United States recovered over \$1 million in restitution and penalties for a fraudulent commodities trading scheme which deprived investors of substantial sums of money.

DRUG DIVERSION

In *United States v. PharMerica*, the PharMerica corporation paid \$80,000 in civil penalties to the United States for failing to maintain accurate records of controlled substances as required by the Drug Enforcement Administration.

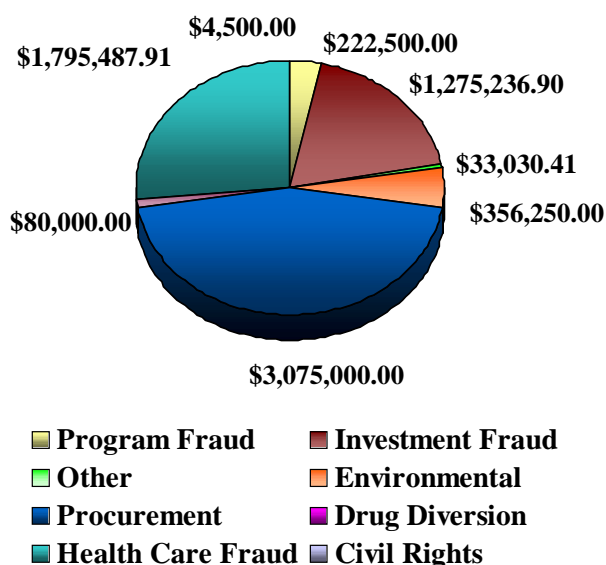
CROP INSURANCE FRAUD

In *United States ex rel Adler v. Continental Insurance Company, et al.*, the United States recovered over \$1.8 million from 24 separate defendants. The government alleged that the defendant individual insurance agents and insurance companies had conspired to conceal non-reimbursable charges in the Multi Peril Crop Insurance program.

MENTAL COMMITMENTS

The United States Attorney Office litigates mental commitment cases for the Federal Medical Center in Rochester. The government brings petitions to treat mentally ill patients who refuse treatment, or to commit patients who are mentally ill and too dangerous to release to the community. This year, Civil Division attorneys brought 10 mental commitment petitions and succeeded in securing treatment or commitment in each one.

Civil Affirmative Settlements



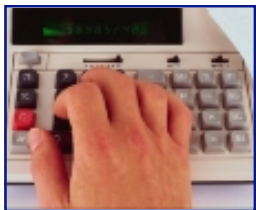
The District of Minnesota's Financial Litigation Division ("FLU") obtains civil judgments against debtors who owe money to federal agencies and collects both the civil judgments and criminal fines, restitution and other monetary penalties imposed by the court in criminal cases.

FINANCIAL LITIGATION UNIT

2001 Review

On the civil side, FLU's largest client agencies are the Department of Education for defaulted student loans, the Department of Agriculture for defaulted farms loans and overpayments on farm programs, and the Small Business Administration for defaulted business loans.

During FY01, FLU collected over \$7,403,361.10 in civil debts, including over \$1,396,000 in defaulted student loans, and \$3,535,305.78 in criminal debts. The total collections of nearly \$11 million is well over 1.5 times the Office's annual budget.



Once a debt becomes due, FLU staff collects money through voluntary payment plans, if the debtor is unable to pay the debt in full, and by filing liens against real and personal property. If a voluntary payment plan is unsuccessful, federal statute provides for collection through wage and bank garnishments, attachment of real and personal

property (cars, boats, vacation homes, etc.) and seizure of federal tax refunds and other federal payments.

On the civil side, money collected on behalf of federal agencies goes directly back to the agency. Criminal collections of fines, forfeited appearance bonds and special assessments go to a Crime Victims Fund which gives money back to the community in the way of grants designed to aid victims of crime. Total revenues collected by the District of Minnesota for the Crime Victims Fund during FY01 amount to \$565,508.92.

Criminal non-federal restitution (owed to specified victims of crime) and federal restitution (owed to federal agencies who are victims of crime) account for \$111,814,076.40 of the outstanding criminal accounts receivable. Restitution collected by FLU goes directly to the victims that were harmed by the criminal activity. In FY01, FLU collected \$1,714,479.12 for non-federal victims of crime and \$244,478.80 for victimized federal agencies.

Also known as “CRD,” the Community Relations Division is responsible for work that directly involves other segments of the community. Our Community Relations Division handles citizen information calls, disseminates case information to the media, arranges for witnesses to appear in court, notifies victims of their rights and available services, and works with law enforcement, community groups, and educators on anti-crime initiatives, federal grant requests, and law-related education.

COMMUNITY RELATIONS

2001 Project Highlights

In addition to its four staff members in Minneapolis, the CRD has a contract victim-witness specialist on the Red Lake Indian Reservation and a part-time assistant.

The main vehicle for office communication with the Minnesota law enforcement community is *The Eagle*, a hard-copy newsletter produced by CRD and mailed to readers each quarter.

LECC

During this past year, the U.S. Attorney and the CRD hosted quarterly meetings of Minnesota’s federal investigative agency heads to discuss joint missions, future investigative



and prosecutorial focuses, resources, training, and community outreach.

LAW ENFORCEMENT AWARD

The 2000 United States Attorney’s Law Enforcement Award was presented to Jim Mazzon, a veteran special agent with the St. Paul Field Office of the Bureau of Alcohol, Tobacco and Firearms, for his sustained exemplary service in law enforcement.

During his tenure with the ATF, Jim has worked on numerous cases that involved the prosecution of firearm crimes. One of the most notable cases was the prosecution of Donald Blom as a felon in possession of a firearm.

The case resulted in Blom's federal conviction and a 19.5 year sentence. (Blom also was convicted of murdering Katie Poirier after abducting her. He is serving a life sentence without parole.)

Mazzon has been in law enforcement for nearly 19 years. He was an officer with the Carrollton, Texas, Police Department for eight years and received the Department's Officer of the Year Award in 1986. Jim joined the ATF in 1989.



possession of guns faced either state or federal charges, as appropriate.

As part of the campaign, the U.S. Attorney's Office distributed the public service announcement, "Ceasefire," to Twin Cities television stations. "Ceasefire," which featured attorney Johnny Cochran, was part of community education efforts, as was the Student Pledge Against Gun Violence, described below.

"STOP THE HATE"

"What are you afraid of?" A powerful question. It asks people to examine why they hate because of skin color, religious beliefs, sexual orientation, or ethnic background.

It is also a question asked at the end of two public service announcements (PSAs) the United States Attorney's Office distributed as part of its "Stop the Hate" campaign, a community education effort meant to address hate crimes. As part of "Stop the Hate," the U.S. Attorney's Office sent the PSAs, "One on One" and "Faces," to Minneapolis and St. Paul area television stations. They were aired during the month of January, 2001. The two PSAs also were featured during the KARE teenshow, "Whatever." The teens featured in both productions were from North High School in Minneapolis and White Bear Lake High School.

"PROJECT SAFETY ON

Project Safety On addressed concerns of violent crime and the safety of our streets because of the illegal use of firearms by felons. The U.S. Attorney's Office and five County Attorneys initiated "Project Safety On," a joint program aimed at reducing gun violence in our communities. "Project Safety On" was designed to ensure that all criminals found in

STUDENT PLEDGE AGAINST GUN VIOLENCE

Every year over 4,000 children die from gun violence in this country. After each senseless act every community wonders, "What can we do to stop the violence among our children?" Kids in Minnesota and across the country are doing something about gun violence in their schools and in their communities. They take the Student Pledge Against Gun Violence. Standing with their peers, students pledge to never bring a gun to school, never resolve a dispute with a firearm, and always use their influence with friends to keep them from resolving disputes with guns.



This year the Minnesota Timberwolves and the Minnesota Twins participated in events in support of "Student Pledge" kids across Minnesota. Billboards promoting awareness went up around the Twin Cities, and thousands of posters featuring Minnesota Timberwolves player Kevin Garnett with the slogan, "Shoot Hoops - Not Each Other," were displayed in metropolitan buses, at schools, and in area businesses.

The Pledge is supported by the American Federal of Teachers, the American Association of School Administrators, the American Medical Association, the National Council of Churches,

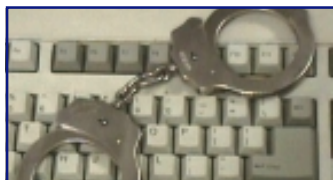
the National District Attorneys' Association, as well as the Congress and the President of the United States.

CYBERCRIMES TRAINING

In June, 2001, the U.S. Attorney's Office hosted two days of CyberCrimes Training for federal, state, and local law enforcement. Forty-five agents from the FBI, Secret Service, IRS, ATF, INS, and other federal departments attended. In addition, over 30 state and local officials attended, including officers from the State Patrol, the Gang Strike Force, county sheriffs, and city police departments.

Officers and agents learned how to trace emails, find elusive web site operators, and use new software and Internet tools to investigate a variety of cybercrimes. Participants learned the law on Internet privacy and computer searches, received hands-on training in a computer lab, and received specialized instruction on specific types of Internet crime including: hacking, email threats, auction fraud, online securities fraud, pyramid schemes, and ID theft.

The CyberCrimes Training was co-hosted by the Federal Trade Commission's Midwest Regional Office and was held at the Minneapolis Community and Technical College. Instructors included computer specialists from the U.S. Attorney's Office, FTC, FBI, and Secret Service in Minneapolis, Chicago, and Washington, DC. Those who attended the CyberCrimes Training were enthusiastic, calling it "informative," "well-organized" and "terrific!"



The U.S. Attorney's Office has already been asked to repeat the training and bring it to additional locations around the state.



GREAT LAKES NATIVE AMERICAN CONFERENCE

The U.S. Attorney's Office for the District of Minnesota was the host state for this year's Great Lakes Native American Conference. The

U.S. Attorneys' Offices from the Districts of Wisconsin and Michigan were also sponsors. The theme for the 8th annual conference was "Addressing the Challenges Facing Our Native American Communities."

The purpose of this year's conference was to educate participants on victims rights and crime victimization, with an emphasis on addressing the challenges that face our Native American communities. The goal was to provide training and resource materials that would enable the participants to enhance services in their communities.

Approximately 285 participants attended the three-day conference. Participants included representatives from human services, schools, clergy, victim services, day care, the medical profession, probation officers, prosecutors, law enforcement, judges, and tribal leaders.

LAW-RELATED EDUCATION

During the past year, this office, through the CRD, continued to participate in Student Court, in partnership with the Minneapolis Public Schools and the University of Minnesota's Center for Community Legal Education. Through Student Court, middle-school students at Webster Open School learned to serve as lawyers and jurors in cases involving actual school incidents. They determined the punishment or sentence for their peers, while lawyers from this office served as judges - or "guides" - through the process.

During the past year, the Community Relations Division developed "EAGLE ED., The Election," which is a free booklet about the 2000 Presidential election. It was provided to all Minnesota social studies teachers to assist them in engaging students in classroom discussions about federal law and procedures.

The U.S. Attorney's Office also partnered with the Federal District Court in Minneapolis and St. Paul in Law Day activities this past year. On April 27, representatives from this office, the Federal District Court bench, the Federal Public Defender's Office, and a State investigative agency joined students from Champlin Park, Minnesota, to talk about the judicial branch of government. This group then joined similar groups from across the country for a national teleconference on the subject of judicial independence.

UPPER MIDWEST COMMUNITY POLICING INSTITUTE

Through the CRD, this office continues to lend its support to the Upper Midwest Community Policing Institute, one of the regional community policing institutes funded through the Department of Justice's COPS Office. The Institute provides community policing and technical assistance to law enforcement entities as well as community groups interested in developing cooperative problem-solving techniques. The CRD assists the Institute with issues and concerns and provides a presence on its Board of Directors.

MINNESOTA HEALS

The U.S. Attorney and members of the CRD continue to partner with Minnesota HEALS (Hope, Education, and Law & Safety), a public-

private partnership dedicated to addressing crime problems and the issues that give rise to those problems.

SAFE COUNCIL

The U.S. Attorney and the CRD worked on the Minnesota SAFE Council this past year. The Council was created by an Executive Order issued by Governor Ventura, who directed the Council to (1) create a strategic plan for Minnesota's criminal justice system; and (2)

ensure that the State's crime, violence, and drug abuse prevention efforts were coordinated.

WEED AND SEED INITIATIVE

Weed and Seed, which operates through CRD, is one of the office's connections to the community. Weed and Seed is a Federal initiative that brings together community stakeholders, such as business owners, school officials, residents, and law enforcement, to "weed" out crime from specific neighborhoods and then "seed" those neighborhoods with crime prevention programs, job training, and economic development.

Minnesota is home to one of the few state-federal Weed and Seed partnerships. The U.S. Attorney's Office works with the Minnesota Department of Public Safety in overseeing the

fiscal and programmatic efforts of the state's nine officially-recognized federal Weed and Seed sites. Those sites include the Minneapolis neighborhoods of Northside, Central, and Phillips; the St. Paul neighborhoods of ECON, Frogtown, and Summit-

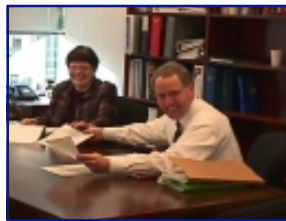
University; a neighborhood in each of the communities of Burnsville and Cottage Grove, and an area of Mahnomon County, the home of the White Earth Indian Reservation.



The purpose of the Administrative Division is to provide consistent and effective services which support the employees and programs of the U. S. Attorney's Office.

ADMINISTRATIVE DIVISION

The Administrative Division is responsible for planning and executing a comprehensive range of services which support office operations, including: Human Resources and Personnel Management, Budget and Financial Management, Procurement and Facilities Management, Informational and Computer Systems Support, and Intraoffices Services (receptionist and mail). Whether it is recruiting and hiring a productive work force, providing important salary and benefit information to new personnel, reimbursing employees for travel expenditures, providing payment to vendors, obtaining any needed special equipment or trial materials, assisting attorneys with technology-related courtroom presentations, providing necessary assistance to our St. Paul operations, or simply providing a cordial greeting to the many callers and visitors, the goal of the Administrative Division is to provide accurate, timely, and helpful information and assistance.



Because the Administrative Division of this office provides an organizational link to the Department of Justice and our Executive Office of U.S. Attorney's (EOUSA), the Division is the principal advisor to the District on Department administrative policies, practices, and procedures. It is responsible for assuring compliance with appropriate management controls when it comes to the expenditure of government funds and the implementation of personnel policy. The continual challenge for the Division is to always provide effective services to meet the critical needs of office operations while working within all the governing guidelines and to ensure these needs are accomplished as smoothly as possible.

The Administrative Division is comprised of 15 individuals all of whom have some specific responsibilities as well as general assigned areas in which there is a developed back up system. The unit strives to make sure that all Administrative functions are handled in a seamless and service oriented fashion.



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